

PUBLIC DISCLOSURE

September 8, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Liberty Bank
26816**

**326 South 500 East
Salt Lake City, Utah 84102**

Federal Deposit Insurance Corporation

**25 Ecker Street, Suite 2300
San Francisco, California 94105**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Liberty Bank** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **September 8, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment area. The rating is supported by the following:

- The average loan-to-deposit ratio reflects an adequate responsiveness to community credit needs.
- The majority of residential real estate-related loan originations since the last evaluation are within the bank's assessment area.
- An analysis of residential real estate-related loan originations reveals a satisfactory penetration among borrowers of different incomes.
- The bank has achieved a reasonable dispersion of loans within its assessment area.

DESCRIPTION OF INSTITUTION

Liberty Bank is a small family owned bank, located close to the down town area of Salt Lake City. The institution offers a wide variety of residential real estate products.

Liberty Bank, is a commercial bank with \$3,269,000 in gross loans and \$4,137,000 in total assets as of June 30, 1998. As of June 30, 1998, the bank's loan portfolio was composed of the following loan categories.

LOAN TYPE	DOLLAR AMOUNT	PERCENT
Real Estate		
Construction & Land Develop	268,000	8
1-4 Family, First Lien	2,014,000	62
1-4 Family, Junior Lien	164,000	5
Multifamily Residential	27,000	1
Nonfarm, nonresidential	268,000	8
Commercial	8,000	
Consumer	520,000	16
Total	\$3,269,000	100

The bank operates from one full-service banking facility, located in a moderate income area.

No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the area. The bank received a Satisfactory rating at its last Community Reinvestment Act evaluation dated February 7, 1995.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment consists of Salt Lake County.

Salt Lake County contains nearly half of the state's population at 725,956. The county contains 156 census tracts, 7 low-, 39 moderate-, 78 middle-, and 32 upper-income. The percentage of the population residing within those census tracts closely tracks the number of low-, moderate-, middle-, and upper-income tracts as a percentage of the total number of tracts in the county. Approximately 1.7% of the total population reside in low-income census tracts, 22.1% in moderate-income tracts, 54.3% in middle-income tracts, and 21.9% in upper-income census tracts. In addition, an estimated 21.7% of all assessment area households are considered low-income, 18.0% moderate-income, 22.5% middle-income, and 37.8% upper-income. The majority of the low-income households, or 57.7% of total, are located in low-income census tracts, whereas 66.8% of all upper-income households are situated in upper-income census tracts. Notwithstanding, a significant percentage of low- and moderate-income households and families reside in the assessment area's middle- and upper-income census tracts. Low- and moderate-income families represent 17.6% and 19.9% respectively, of all 176,094 families in Salt Lake County. The assessment area contains 257,339 housing units, of which 61% are owner-occupied, 33% are rental units, and 6% are vacant.

Salt Lake City is the largest city in the state and serves as the county seat as well as the state capital. It is one of the fastest growing cities in the nation and is supported by the continuance of in-migration of both households and businesses. It is possible that the business in-migration may outstrip the available labor resources which will put additional upward pressure on wages. This growth is expected to continue well into the future. Employment growth is at approximately 5% with a jobless rate of about 3%. Personal income is growing at about 9%. Population growth is attributed to high levels of in-migration and birth rates. Increases over the past few years have averaged about 2% a year.

Increasing levels of relocating workers are putting pressure on the area's housing market. A sharp rise in housing prices/costs in Utah over the past three years has escalated the median price of a home in the metro area of Salt Lake City. Diminishing housing affordability is becoming a major constraint to further expansion of the housing market in Salt Lake City, as well as the entire state. Salt Lake City also has an extremely low vacancy rate for rental housing. It was reported to be at 4% in 1995 and expected to decrease to just under 3% by the year 2000. The people of Utah have a strong culture of home ownership, and the state enjoys low unemployment.

The following 1990 demographic data is pertinent to Salt Lake County:

DEMOGRAPHIC INFORMATION	SALT LAKE COUNTY
Population	725,956
Number of Families	176,094
Percent of Owner-Occupied HH Units to Number of Households	65%
Percent of Housing Rented	33%
Median Housing Age (years)	18
Median Housing Value	\$70,680

There are many financial competitors located within the bank's assessment area. Liberty Bank competes directly with other independent banks, branches of state-wide and region-wide banking organizations, as well as savings banks, credit unions, and unsupervised mortgage companies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSITS RATIO

The bank's loan-to-deposit ratio indicates adequate responsiveness to area credit needs. The bank's average loan-to-deposit ratio, based on 12 quarters since the last evaluation, is 258 percent. The bank's small size and high capitalization results in this very high ratio. Similarly situated banks loan-to-deposit ratio range from 72 percent to 140 percent during this same period of time.

LENDING WITHIN THE ASSESSMENT AREA

The bank makes the majority of its loans within the assessment area. Conclusions under this criteria are based on residential related real estate loans originated since the January 1, 1998 and still outstanding as of this evaluation. Of the 27 such loans which were originated, five 3 loans were on properties located outside of the bank's assessment area. The following table reflects the lending distribution of the loan sample reviewed.

LOAN MADE	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
WITHIN THE ASSESSMENT AREA	22	81	1,727,000	80
OUTSIDE OF THE ASSESSMENT AREA	5	19	425,000	20
Total	27	100	2,152,000	100

LENDING TO BORROWERS OF DIFFERENT INCOMES

The bank has achieved an adequate penetration among borrowers of different income levels. HUD has estimated the Salt Lake MSA median family income for 1998 to be \$48,200 which is the amount used in the analysis. The following table provides an example of how each income level is defined.

1 9 9 8 Income		
INCOME LEVEL	PERCENT OF MEDIAN FAMILY INCOME	INCOME RANGE
LOW	LESS THAN 50%	LESS THAN \$24,100
MODERATE	50% TO 80%	\$24,100 TO LESS THAN \$38,560
MIDDLE	80% TO 120%	\$38,560 TO LESS THAN \$57,840
UPPER	120% AND OVER	\$57,840 AND OVER

The bank has achieved adequate penetration among borrowers of different incomes. The following table reflects the lending distribution of the 22 residential real estate related loans which were sampled. The analysis only includes the sampled loans which were originated within the assessment area.

GROSS ANNUAL INCOME	NUMBER OF LOANS	PERCENT	DOLLAR AMOUNT	PERCENT
Less than \$24,100	2	9	39	2
\$24,100 to \$38,559	5	23	371	22
\$38,560 to \$57,839	11	50	814	47
\$57,840 AND OVER	4	18	503	29
Total	22	100	1,727	100

RESPONSE TO COMPLAINTS

The bank has not received any CRA-related complaints since the last evaluation. This factor was not used in determining the bank's rating.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No violations of the substantive provisions of anti-discriminatory laws and regulations were identified.